

Floor Statement by Senator Kent Conrad (D-ND) on the Debt Limit
March 15, 2006

We are now on the subject of raising the debt limit of our country by \$781 billion. This is after we have already had, during this administration, repeated increases in the debt limit over and over and over again -- during the first five years of this administration, raising the debt limit \$3 trillion.

I have used this slide to make the point that I believe the debt is the threat. So much of the writing and so much of the commentary is about the deficit. But the deficit is going up much more slowly -- even though it is at record levels -- than the debt.

This year, they estimate the deficit will be \$371 billion, but the debt will increase by \$654 billion. When are we going to get serious about what is happening to our country? We are plunging deeper and deeper into debt, and increasingly, it is financed by foreigners.

I have to say, I have never been more concerned about the future fiscal strength of our Nation than I am today because we just seem to be in total denial. We seem to be so disconnected from reality. We keep on spending. We keep on cutting taxes. We keep running up the debt.

When the President came into office, here is what he told us. He said: "... (My) budget pays down a record amount of national debt."

He said: "We will pay off \$2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever."

Then he went on to say something that I believe: "Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and [our] grandchildren."

That is what the President said. He was going to have maximum paydown of the debt. Well, that is not what happened. The President was wrong. Not only has there not been any paydown of debt, the debt has skyrocketed, as this chart shows.

The debt, at the end of the first year of this President's first term, was \$5.8 trillion. The debt, at the end of this year, is going to be \$8.6 trillion -- \$8.6 trillion -- at the end of this fiscal year. If we adopt the budget that is before us, we will pile on another more than \$3 trillion of debt over the next 5 years, winding up with a debt of \$11.8 trillion.

Now, here is what has happened already during this administration. From 1998 to 2001, we did not increase the debt limit. In fact, we were paying down debt. Those were the ending years of the Clinton administration's time. In 2002, under the President's policies, we added \$450 billion to the debt limit. In 2003, we added \$984 billion to the debt limit. In 2004, we added \$800 billion to the debt limit. In 2006, now they are out here wanting to add another

almost \$800 billion to the debt limit.

These are not just numbers on a page. These are not just bars on a graph. These are not just charts. These are debts of our country that have to be paid back.

What is perhaps most stunning is the degree to which this debt is being increasingly financed by foreigners -- foreign central banks, foreign investors. I use this chart to make the point. It shows the pictures of 42 Presidents. These 42 Presidents took 224 years to run up \$1 trillion of external debt -- U.S. debt held by foreigners. This President has more than doubled that amount -- much more than doubled that amount -- in just five years.

The result of all this is we now owe Japan \$668 billion. We owe China \$260 billion. We owe the United Kingdom over \$240 billion. We owe the Caribbean banking centers almost \$100 billion. These numbers change from time to time because of money flows. South Korea, we owe over \$60 billion.

So what. What does it matter that foreigners now hold almost half of U.S. debt? What difference does it make if we owe Japan \$670 or \$680 billion? So what.

Well, the "so what" is, when you owe somebody money, you have a different relationship to them than when they owe you money. We have gone from being the biggest creditor nation in the world -- more countries owing us more money than any other country in the world -- to now being the biggest debtor nation. We owe more money than any other country in the world, and by a big amount.

I just had representatives of the American automobile industry come to see me. They said: We have to get tough on Japan because they are manipulating their currency for advantage in selling their automobiles.

I said: Do you have any idea how much money we owe the Japanese?

They said: No. We have no idea.

I said: Well, we owe them over \$660 billion. How are we going to get tough with somebody we owe \$660 billion?

Earlier I had a group of business leaders come to me and tell me: We have to get tough with China because they are manipulating their currency for advantage in international markets. I asked them: How much do you think we owe the Chinese? They did not know. I told them we owe them over \$250 billion. How are we going to get tough with China when we owe them all this money?

What would we do if all of a sudden they did not show up to buy our debt because now every time we have an auction, most of it is going to foreign entities. That is how we are floating this boat. We are mortgaging the future. That is what we are doing. Does that make America stronger or does that make America weaker?

A number of weeks ago, the President had a small group of us over -- Senators -- to talk about energy. He reminded us that in his State of the Union Address he said America is addicted to oil. And he turned to me and said: That's pretty good for a guy from oil country to say that, don't you think?

And I said: Yes, I do, Mr. President. But I tell you, not only are we addicted to oil, we are also addicted to foreign capital. We are addicted to borrowing from countries all over the world.

This creates a vulnerability for our Nation because if these folks decide they are not going to keep lending us money, what would we have to do to attract the capital to finance these massive deficits, this massive debt? We would have to raise interest rates. That is what we would have to do, and perhaps precipitously. Then all these mortgages that are out here that are interest-only mortgages, all these mortgages that are adjustable rate mortgages, all these car loans, all these student loans, all these business loans, all these corporate financings -- all of it -- would go up, and go up sharply.

That is the great risk that is being run. It is a danger to our country. The Chairman of the Federal Reserve Board has said this is an unsustainable course. The Comptroller General of the United States has told us it is an unsustainable course. The head of the Congressional Budget Office has told us it is an unsustainable course. But we keep right on keeping on. There is no change. And sometimes you wonder: Does anybody care? Does anybody have the faintest notion of where this all heads?

Before us is a budget for the next five years, put before us by the President of the United States, and now passed by the Budget Committee in the Senate. Those who brought the budget before us say it is going to reduce the deficit. They show these red bars on this chart, and they say those red bars are getting smaller, the deficit is going down. Boy, how I wish that were true. How I wish that were true. But it is not true.

This is what is really happening. They have left out things. They have left out war costs past 2007. They have understated the war cost in 2007 in addition to that. But the Chairman, to his great credit, has added far beyond what the White House suggested in terms of war costs for 2007. He has made at least a serious effort to cover the war costs in 2007. There is no money past 2007.

There is no money past this year to fix the alternative minimum tax. Over the next 10 years, it costs a trillion dollars to fix. There is no money here past 2006. You put that back in, and then you put back into the calculation the money they are taking from the Social Security trust fund. Every year, they take from Social Security to pay other bills. It all has to be paid back. None of it is in the deficit calculation, but it all gets added to the debt.

When you add it all back, what you find is that when they say the deficit is going to go up \$359 billion for fiscal year 2007, starting October 1, the debt is going up \$680 billion; and the next year, the debt will go up \$656 billion; and the next year, \$635 billion; and the next year,

\$622 billion. And in 2011, it is going to go up \$662 billion. And they are telling us everything is getting better? It is not getting better. It is getting a whole lot worse. That is the truth.

They have come tonight and asked us to raise the debt limit of this country another \$781 billion. Over the next five years, they want to run up the debt by another \$3.5 trillion. So at the end of that period, we have \$11.8 trillion in debt. That is before the baby boomers retire.

People may not know the exact numbers, but the American people have a lot of common sense. You can kind of reality test. We can't pay our bills now. We are nowhere close to paying our bills. And we are borrowing money from countries all over the world. We are borrowing money from the Caribbean banking centers. Anybody listening to me doing their banking down in the Caribbean? We owe them almost \$100 billion.

I know we use so many numbers when we talk about a budget. A lot of people tune it out and say: I can't follow all the numbers. Just follow one number: The debt of our country has doubled. The debt of our country has doubled in this 10-year period. The first five years of the Bush administration and the next five where they are proposing the budgets, they are going to have doubled the debt of our country before the baby boomers retire. And almost half of this debt has been financed by foreigners. When we have a bond auction now, much more than half of it is being bought by foreigners. We are digging a hole that is so deep, it will take years to get out.

We just had this Dubai Ports deal. Everybody gets upset about the United Arab Emirates buying the terminals in six of our major ports. I thought it was unwise. But that is the logical conclusion to this fiscal policy and this trade policy. Because while we are running up the debt on the budget side by \$600 billion a year and running trade deficits of more than \$700 billion a year and we are financing it by borrowing from abroad, guess what. Foreigners are up to their gills in dollars. They are loaded to the gills with dollars. And what are they going to do with them? They are going to buy American assets.

Look at what has already happened to our ports. The vast majority are owned by foreign interests now. You might as well just put up a big for-sale sign on America and say: Come and get it, because we have not been able to restrain our spending and our appetite for debt and our unwillingness to tax ourselves to pay our bills. So what is the result? The result is runaway debt, increasingly financed by foreigners, and at the same time these trade deficits, which have the exact same effect, putting more and more dollars in the hands of more and more foreign entities. They have to do something with them. They can sit on them. They can hold them in their banks. They can invest them in U.S. stocks and bonds, which they are increasingly doing. And they can also just buy hard assets here.

We wonder about the Dubai Ports deal. Get ready. There are going to be a whole lot more deals like that coming because the world is awash in dollars, and we are buying much more than we are selling to foreigners. At the same time in our own budget, we are spending much more than we are taking in. As a result, we have to borrow, borrow, borrow.

The Comptroller General of the United States is the man who is given the responsibility

to advise the Congress on the fiscal condition of the country. Here is what he said before the Senate Budget Committee: “Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security.”

It is that simple. It is that important.

Tonight we are going to make another fateful decision. Unfortunately, there is no alternative. We are going to have to pass this increase in the debt limit because the money has to be paid back. We have already borrowed it. We have already spent it. It is gone. Now the only question is, Are we going to pay the bill? There is no option. There is no alternative. If the United States failed to pay its debt, the value of our currency would plummet, interest rates would skyrocket, and our economy would tank. That is the hard fact.

This should be a wake-up call for every Member of the Senate, every Member of Congress, and a wake-up call for the President of the United States. The question is, Are we staying on this course to keep running up the debt, debt on top of debt, increasingly financed by foreigners, or are we going to change course?

I hope with every fiber in my being that we change course because if we fail to do so, we will weaken the country immeasurably. We will threaten not only our economic security but our national security.